

Summary of Business Rules for Accounting for and Reporting of Military Equipment

Work-in-Process

Objective

- Prescribe the accounting for, and reporting of, costs incurred for end items in production but not yet completed in accordance with the provisions of Statement of Federal Financial Accounting Standards No.6, *Accounting for Property, Plant, and Equipment*.

Baseline Valuation Methodology

- Calculate Work-in-Process (WIP) by subtracting the total acquisition cost of end items placed in service from total disbursements to date (outlays).

Mid-Term Valuation Methodology

- Establish a WIP account to accumulate all costs related to the acquisition of constructed PP&E.
- Determine the full cost of the end item at the time of delivery and acceptance and transfer the amount from WIP to the Military Equipment account.